

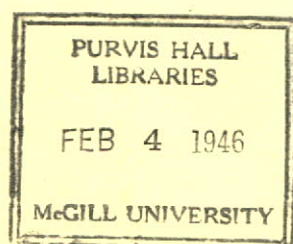
BRITISH COLUMBIA POWER CORPORATION LIMITED

DIRECTORS' REPORT AND ACCOUNTS



FOR THE PERIOD
JULY 1ST TO DECEMBER 31ST

1939



BRITISH COLUMBIA POWER CORPORATION,
LIMITED

DIRECTORS' REPORT
AND
ACCOUNTS

For the period July 1st to December 31st
1939

BRITISH COLUMBIA POWER CORPORATION,
LIMITED

[illegible]

E. H. ADAMS	GEORGE KIDD
JOHN DAVIDSON	H. R. MACMILLAN
S. GODIN, JR.	W. G. MURRIN
A. T. GOWARD	A. J. NESBITT
J. H. GUNDY	J. W. SPENCER
ANDREW P. HOLT	AUSTIN C. TAYLOR
SIR HERBERT HOLT	P. A. THOMSON
J. B. WOODYATT	

Head Office of the Corporation

3

FACTS ABOUT YOUR CORPORATION AND ITS SUBSIDIARIES

(As at December 31st, 1939)

1. It serves a territory of over 1,500 square miles;
2. It renders service to a population of over 400,000, embracing 28 different communities;
3. It has 11 hydro-electric plants and 3 steam plants;
4. It has 81 substations and transformer stations;
5. It has 636 miles of high-tension transmission lines;
6. It has 2,953 miles of low-tension distribution lines;
7. It has 43 city street car and bus routes;
8. It has 4 interurban lines;
9. It has more than 3,900 employees;
10. It paid out in wages and salaries during the year more than \$5,900,000;
11. It operates 168 miles of street car lines;
12. It operates 162 miles of interurban lines, a total of 330 miles;
13. It operates 422 city and interurban passenger cars;
14. It operates 10 electric locomotives;
15. It operates 170 express, freight and service cars;
16. It operates 103 motor buses and 23 motor freight trucks;
17. It operates 392 route miles of motor bus and 120 route miles of motor freight service;
18. It operated 18,587,121 passenger car and bus miles during the year;
19. It generated by its power plants 594,889,513 K.W.H. during the year;
20. It operates 11 stores for the sale of electric and gas appliances;
21. It has 3 gas plants, with a total daily capacity of 12,500,000 cubic feet.

BRITISH COLUMBIA POWER CORPORATION, LIMITED

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

Vancouver, B. C., April 3, 1940.

NOTICE IS HEREBY GIVEN to the Holders of the Corporation's Class "B" Shares that the Annual General Meeting of Shareholders will be held in the Auditorium of the B. C. Electric Building, 602 Granville Street, Vancouver, B. C., on Thursday, the 25th day of April, 1940, at the hour of 11:30 o'clock a.m.

- (1) To receive the Annual Report of the Directors;
- (2) To receive the Consolidated Balance Sheet as at December 31, 1939, the Consolidated Statement of Profit and Loss and Earned Surplus Account for the financial period ending on that date and the Report of the Auditors;
- (3) To elect Directors for the ensuing year;
- (4) To appoint Auditors for the ensuing year;
- (5) To consider, and, if thought fit, to sanction and confirm the following Bylaws:

BYLAW No. XXVIII

A Bylaw amending Bylaws III and IV, being parts of the General Bylaws of the Company

WHEREAS the first and second paragraphs of Bylaw III, which deals with Meetings of Directors, provide that:

"Regular meetings of the Board of Directors may be held at such time and/or at such place as may be fixed by resolution of the Board from time to time. Meetings shall be held at the head office of the Company unless another place of meeting shall have been fixed by resolution of the Board."

"Meetings of Directors may be held at any time or place without previous notice if all Directors be present and consent to such meetings or if all the Directors waive notice in writing of the time, place and purpose of such meetings."

AND WHEREAS the third and fifth paragraphs of Bylaw IV, which deals with notice of meetings, provide that:

"Notice of meetings of Directors shall be served by any literate person upon the Directors personally or such notice may be mailed, telegraphed or cabled, to the Directors to such address as the person sending the notice may consider to be the most likely promptly to reach the Directors."

"Notice of meetings of Directors must be served or mailed at least ten clear days before the date fixed for the meetings or telegraphed or cabled at least six clear days before the date fixed for the meetings."

AND WHEREAS the foregoing provisions, particularly the provision regarding the length of notice of a meeting of Directors, have proved disadvantageous in the transaction of the Company's affairs and it is accordingly deemed expedient to amend the said provisions;

NOW THEREFORE British Columbia Power Corporation, Limited by the Directors thereof enacts as follows:

THAT Bylaw III be and it is hereby amended by deleting the first and second paragraphs thereof and substituting the following:

"Regular meetings of the Board of Directors shall be held at the Company's offices, 425 Carrall Street, in the City of Vancouver on the last Thursday in each month or on and at such other day and place as may be fixed from time to time by resolution of the Board of Directors. The time at which a regular meeting shall be held shall be fixed by the President or in his absence a Vice-President."

THAT Bylaw III be and it is hereby further amended by adding the following at the end of the third paragraph thereof dealing with the holding of special meetings of Directors:

"Special meetings of the Board of Directors shall be held either in the City of Vancouver or in the City of Montreal."

THAT Bylaw IV be and it is hereby amended by deleting the third and fifth paragraphs thereof and substituting the following as the third, fourth, fifth, sixth and seventh paragraphs thereof:

"Notice of a regular meeting of the Board of Directors shall be served by mailing the same at least ten clear days before the date of the meeting."

"Notice of a special meeting of the Board to be held in the City of Vancouver shall only be given to Directors who are known to be in the Province of British Columbia at the time of the giving of the notice of such meeting. Such notice shall be mailed at least two clear days before the date fixed for the meeting or telephoned, telegraphed or communicated verbally at least two hours before the time fixed for the meeting. If all of the Directors known to be in the Province of British Columbia at the time such special meeting is held are present at such meeting, notice thereof may be waived by them."

"Notice of a special meeting of the Board of Directors to be held at the City of Montreal shall only be given to Directors who are known to be in the Province of Quebec and in the Province of Ontario at the time of the giving of the notice of such meeting. Such notice shall be mailed at least two clear days before the date fixed for the meeting or telephoned, telegraphed or communicated verbally at least twenty-four hours before the time fixed for the meeting. If all of the Directors known to be in the Province of Quebec and in the Province of Ontario at the time such special meeting is held are present at such meeting, notice thereof may be waived by them."

"Notices convening a regular or special meeting shall be addressed to such addresses as the person sending the notice may consider to be most likely to reach the Directors entitled to receive the notice promptly."

"Any Director entitled to receive notice of a meeting may waive notice thereof in writing or by telegram."

BYLAW No. XXIX

A Bylaw amending Bylaw I, being part of the General Bylaws of the Company

WHEREAS the first paragraph of Bylaw I provides that the financial year of the Company shall end on the 30th day of June in each year, and that the Annual General Meeting shall be held on the second Monday in September in each year or on such date as may be fixed by resolution of the Board of Directors from time to time;

AND WHEREAS the last financial year of the Company ended on 30th June, 1939;

AND WHEREAS it is deemed advisable that the financial year of the Company shall end on the 31st day of December in each year, and that this change shall be effective as from 1st July, 1939, so that the first financial period ending 31st December shall be for the six months ended 31st December 1939;

NOW THEREFORE British Columbia Power Corporation, Limited by the Directors thereof enacts as follows:

THAT Bylaw I be and it is hereby amended by deleting the first paragraph thereof and substituting the following:

"Effective as and from 1st July, 1939 the financial year of the Company shall end on the 31st day of December in each year, and the Annual General Meeting shall be held at the head office of the Company or at such other place within Canada as the Directors may determine on the last Thursday in March in each year, or on such date (not later than four months reckoning from the end of the Company's financial year) as may be fixed by resolution of the Board of Directors from time to time, to receive the Annual Report of the Directors, Balance Sheet, Statements and Auditors' Report as required by the Companies' Act; to elect Directors for the ensuing year; to appoint an Auditor for the ensuing year; and to transact the general business of the Company."

- (6) For the transaction of such other business as may properly come before the meeting without notice.

By Order of the Board,

ERNEST ROGERS,

Secretary.

NOTE.—By the charter of the Company only holders of Class "B" shares are entitled to attend at the Annual General Meeting of Shareholders, and accordingly the above notice is given to such shareholders only.

ANNUAL REPORT

of the Directors of

BRITISH COLUMBIA POWER CORPORATION, LIMITED

for the six months ending December 31, 1939

TO THE SHAREHOLDERS:

Your Directors beg to submit the following Report on the financial position of your Company and its Subsidiaries as at December 31, 1939 and the results of their operations for the period of six months ending on that date.

The returns required from your Company and its Subsidiaries by the Dominion and Provincial government authorities have been increasing in number and scope, and, since these returns for the most part cover the calendar year, your Directors have decided that it would be advantageous to adopt the calendar year as the companies' fiscal period. The Shareholders at the Annual General Meeting will be asked to ratify this change of year-end from June 30 to December 31.

RESULTS OF OPERATIONS

The following is a condensed consolidated statement of the revenues and expenses of all departments of the business for the period of six months ending December 31, 1939:

Gross Revenues	\$ 8,065,384.93
<i>Deduct—</i>	
Expenses of Operation and Maintenance.....	\$ 3,700,752.52
Income and Property Taxes.....	973,449.03
Provision for Depreciation and Renewals.....	1,143,581.57
	5,817,783.12
Net Revenue	\$ 2,247,601.81
<i>Deduct—</i>	
Bond Interest, Amortization of Bond Refunding Expense and Preference Dividends.....	\$ 1,109,785.50
Exchange Credits on Bond Interest and Divi- dends, transferred to General Reserve.....	62,399.35
	1,172,184.85
	\$ 1,075,416.96
<i>Deduct—</i>	
Dividends on Class "A" Shares for the six months.....	1,000,000.00
Surplus for the six months.....	\$ 75,416.96

Gross revenues show an increase in the six months ending December 31, 1939 over those of the corresponding period of the previous year; the increase arose in part through a larger use by the public of the companies' existing facilities, and in part through the extension of electric power and light and transportation facilities in the areas served.

GROSS REVENUES FROM OPERATIONS

Transportation System—The gross revenue from electric railway (including urban feeder bus) traffic for the six months under report shows a slight increase over the corresponding period of the preceding year. This improvement was coincident with an increase in volume of employment in the area and with the inauguration of bus services in districts not formerly served. The comparative figures of passengers carried are as follows:

	Six Months Ending December 31	
	1939	1938
Railway (including urban feeder buses).....	37,316,628	36,190,816

Electric railway freight traffic also shows a recovery; such traffic amounted to 178,164 tons and 132,365 tons for the six months ending December 31, 1939 and 1938, respectively. This improvement is to some extent due to increased freight movement by rail, owing to the curtailment of ocean freight facilities arising out of war conditions.

The revenue from passenger motor coach operations increased satisfactorily over that of the corresponding period of 1938. The greater part of the increase occurred in the months of July and August when travel to the United States was more active.

Power and Light System—During the six months under review light and power service was extended to 2,631 additional customers, bringing the total number of customers to 143,360 at December 31, 1939. For the complete year ending on that date, the number of customers added totalled 4,391. This increase in number of consumers was reflected in the volume of sales; the comparative figures of

kilowatt hours of electrical energy sold to power and light customers were as follows:

	Six Months Ending December 31	
	1939	1938
Kilowatt Hours sold.....	237,688,792	229,593,549

Gas System—The number of gas consumers has been maintained, and the volume of sales slightly increased despite a milder month of December. The comparative sales were as follows:

	Six Months Ending December 31	
	1939	1938
Cubic Feet of Gas sold.....	659,880,000	655,284,000

EXPENSES

Expenses of operation and maintenance of the transportation and the light and power systems show increases coincident with a greater volume of business, and the larger use of existing facilities resulting in additional revenue has also brought some increase in operating costs. Every effort has been made to keep operating expenses under control, but with advancing material costs it is probable that operating costs may show an upward trend in the succeeding period.

For electric railway traffic, the comparative figures of equipment miles operated are as follows:

	Six Months Ending December 31	
	1939	1938
Passenger Car and Feeder Bus Miles	8,625,379	8,511,882
Freight Car Miles	332,406	287,019

Gas Plant Reconditioning—Reference was made in the last Annual Report to the reconditioning of the main gas generating plant at Carrall Street, Vancouver. This project is being carried out in two stages, the first of which was completed according to schedule at the beginning of November, 1939. The more favourable production costs anticipated from this stage of the reconditioning have been achieved, but the two months of improved operations were not sufficient to allow the benefit

of the change to be reflected in the system results of the six months as a whole. The effect of the reconditioning should be to decrease the system expenses in succeeding periods.

Taxes—Direct taxes are a non-controllable element of expense which has grown constantly with the enlarging field of government and has now been further increased by the requirements of war financing. The war places sacrifices on all, and British Columbia Power Corporation, Limited and its Subsidiaries are glad to play their part. It may be pointed out, however, that the provision for income and property taxes absorbed 48% of the net revenue, and that the various taxing authorities (Dominion, Provincial and Municipal) will receive more in total taxes—including indirect taxes such as gasoline and sales tax—than the Class “A” shareholders, who have taken the risk of placing their funds in the undertaking in the expectation of receiving a fair and reasonable return on their investment.

Provision for Depreciation and Renewals—The provision under this head which has been charged against the results of the period under report reflects the increase attributable to the additional plant in service.

PLANT ADDITIONS AND EXTENSION OF FACILITIES

No major projects for additions or extensions were undertaken during the six months ending December 31, 1939. Of the charges to Capital Account totalling \$467,000 during the period, the greater portion represents expenditures for extensions and improvements to the light and power facilities to meet the requirements of new customers for such services.

PUBLIC UTILITIES COMMISSION

Reference was made in the last Annual Report to the Public Utilities Act and to an appraisal of plant and property, which has been decided upon by the Commission constituted thereunder, preparatory to an examination of the rates being charged by our subsidiary companies for the various services coming within the purview of the Act. The preliminary studies by the Commission's engineering and accounting experts are still proceeding.

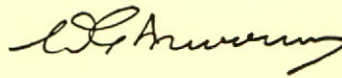
STAFF

The Directors wish to record their appreciation of the co-operation and loyalty of the entire organization.

AUDITORS' EXAMINATION

The report of the Auditors, Messrs. Price, Waterhouse & Co., is appended to the Consolidated Balance Sheet submitted herewith.

Respectfully submitted on behalf of the Board,

A handwritten signature in dark ink, appearing to read "C. L. Anderson", written in a cursive style.

March 28, 1940.

President.

BRITISH COLUMBIA POWER
AND SUB

Consolidated Balance Sheet

ASSETS

CURRENT AND WORKING ASSETS:

Accounts Receivable less Reserve.....	\$ 1,770,817.57	
Insurance Unexpired and Prepaid Items.....	130,748.50	
Employees' Housing Loans, Mortgages, etc.....	112,813.62	
Stores, Materials and Supplies, determined as to quantities by book inventories confirmed by periodical counts or measurements, valued at average cost.....	1,550,893.89	
		\$ 3,565,273.58

INVESTMENTS:

Corporation's Shares purchased by Subsidiaries for re-sale to customers and employees	\$ 793,470.10	
Sundry Investments	2,927.46	
(Market Value December 31, 1939, \$586,369.00).....	796,397.56	
City of Vancouver 3% Instalment Debentures, at cost.....	137,203.20	
		933,600.76

BOND REFUNDING EXPENSE:

Premium and exchange on bonds redeemed, bond conversion expenses and discount—balance	1,406,812.55
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PROPERTY ACCOUNT:

Book values which represent the cost of acquisition, and the cost of subsequent additions, including discount on bonds of \$728,670.56, which is charged to Construction Accounts of Subsidiaries.....	\$ 144,433,411.82	
Less Provision for Depreciation and Renewals.....	28,664,593.41	
		115,768,818.41

NOTE: An appraisal of the properties of the British Columbia Power Corporation, Limited and its subsidiaries, made by Stone & Webster Engineering Corporation of Boston, Massachusetts, as of December 31, 1936, shows a total replacement cost as at that date (after a deduction for existing physical depreciation) of \$131,802,312. This foregoing total includes an amount of \$15,000,000 for going concern value.

The balance in the Property Account as at December 31, 1936, after deducting the reserve for Depreciation was \$113,739,799.32.

\$ 121,674,505.30

Approved on behalf of the Board:


Director.


Director.

CORPORATION, LIMITED

SUBSIDIARIES

as at December 31, 1939

LIABILITIES

CURRENT AND ACCRUED LIABILITIES:

Due to Banks (net).....	\$ 178,257.09
Accounts Payable	1,313,638.87
Reserve for Income and other Taxes.....	674,684.96
Debt and Bond Interest accrued.....	512,226.49
Dividends declared, since paid.....	735,920.00

	\$ 3,414,727.41
BOND DEBT (as per statement attached).....	\$ 38,497,624.50

CAPITAL STOCKS OF SUBSIDIARIES HELD BY PUBLIC:

<i>British Columbia Electric Railway Co., Ltd.—</i>	
5% Cumulative Perpetual Preference Stock.....	\$ 6,984,000.00
<i>British Columbia Electric Power & Gas Co. Ltd.—</i>	
6% Cumulative Preference Shares.....	5,000,000.00
The Company has the right to redeem these 6% Preference Shares with a premium of 5% subject to the sanction of the Supreme Court of British Columbia.	
Minority Shareholders of Subsidiaries.....	3,446.25
	11,987,446.25

RESERVES:

General and Accident.....	1,374,453.53
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CAPITAL:

Authorized—

1,500,000 Class "A" Shares without nominal or par value entitled to non-cumulative preferential dividends aggregating \$2.00 per share and equal participation with Class "B" Shares up to a further \$3.00 per share, redeemable at any time on resolution of Directors at \$100.00 per share.
1,500,000 Class "B" Shares without nominal or par value.

Issued—

1,000,000 Class "A" Shares and
1,000,000 Class "B" Shares issued for a total cash consideration of.....\$ 59,250,000.00

CAPITAL SURPLUS:

Surpluses of Subsidiaries as at May 19, 1928, the date of the acquisition of their Capital Stocks by the Corporation..... 6,115,764.59

EARNED SURPLUS (as per statement attached).....	1,034,489.02
	66,400,253.61
	\$ 121,674,505.30

AUDITORS' REPORT TO THE SHAREHOLDERS

We have made an examination of the books and accounts of the British Columbia Power Corporation, Limited and its Subsidiary Companies for the half-year ending December 31, 1939, and have obtained all the information and explanations which we have required and we report that, in our opinion, the above Consolidated Balance Sheet at December 31, 1939 is properly drawn up so as to exhibit a true and correct view of the state of the combined affairs of the Corporation and its Subsidiary Companies, according to the best of our information and the explanations given to us and as shown by the books of the Companies.

VANCOUVER, B. C.,
March 27, 1940.

PRICE, WATERHOUSE & CO.,
Chartered Accountants.

BRITISH COLUMBIA POWER CORPORATION, LIMITED
AND SUBSIDIARIES

*Consolidated Statement of Profit and Loss and Earned Surplus Account
for the half-year ending December 31, 1939*

Gross Revenue from Operations.....	\$ 8,043,084.47	
Income from Investments.....	22,300.46	
		\$ 8,065,384.93
<i>Deduct—</i>		
Expenses including Municipal Taxes.....	\$ 4,010,629.55	
Legal Fees and Executive Remuneration.....	41,825.00	
Directors' Fees	10,500.00	
Provision for Accidents.....	60,000.00	
Provision for Depreciation and Renewals.....	1,143,581.57	
Provision for Income Taxes.....	551,247.00	
		5,817,783.12
		\$ 2,247,601.81
<i>Deduct—</i>		
Interest on Bond Debt.....	\$ 759,809.20	
Bond Refunding Expense written off.....	39,056.30	
		798,865.50
Net Profit for the period.....		\$ 1,448,736.31
<i>Deduct—</i>		
Dividends on Preference Stocks of Subsidiaries:		
5% Cumulative Perpetual Preference Stock.....	\$ 160,920.00	
6% Cumulative Preference Shares.....	150,000.00	
		\$ 310,920.00
Exchange Credits on Bond Interest and Dividends, transferred to General Reserve	62,399.35	
		373,319.35
		\$ 1,075,416.96
<i>Deduct—</i>		
Dividends on Class "A" Shares for the six months ending December 31, 1939	1,000,000.00	
		\$ 75,416.96
<i>Add—</i>		
Earned Surplus—balance at June 30, 1939.....	1,117,383.61	
		\$ 1,192,800.57
<i>Deduct—</i>		
Adjustments in respect of depreciation for prior years	158,311.55	
		\$ 1,034,489.02
Earned Surplus—balance at December 31, 1939.....		

BRITISH COLUMBIA POWER CORPORATION, LIMITED
AND SUBSIDIARIES

Bond Debt as at December 31, 1939

BRITISH COLUMBIA POWER CORPORATION, LTD.:

First Refunding and Collateral Trust Serial Bonds 3%,
Series "A"—

Authorized and Issued:

Maturing March 1, 1940.....	\$400,000.00	
" March 1, 1941.....	400,000.00	
		\$ 800,000.00

First Refunding and Collateral Trust Serial Bonds 3½%,
Series "A"—

Authorized and Issued:

Maturing March 1, 1942.....	\$400,000.00	
" March 1, 1943.....	400,000.00	
" March 1, 1944.....	400,000.00	
" March 1, 1945.....	400,000.00	
		1,600,000.00

First Refunding and Collateral Trust Bonds 4¼%,
Series "A"—

Authorized and Issued:

Maturing March 1, 1960.....	15,300,000.00	
		\$ 17,700,000.00

BRITISH COLUMBIA ELECTRIC RAILWAY Co., LTD.:

4¼% Perpetual Consolidated Debenture Stock.....	£2,788,170:0:0	
	@ \$4.85	13,522,624.50

VANCOUVER POWER Co., LTD.:

4¼% Perpetual Guaranteed Debenture Stock—

Authorized £1,917,350, of which issued.....	£1,500,000:0:0	
	@ \$4.85	7,275,000.00

As per Consolidated Balance Sheet.....			\$ 38,497,624.50
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BRITISH COLUMBIA POWER CORPORATION, LIMITED

Owns and controls the following companies:

BRITISH COLUMBIA ELECTRIC RAILWAY COMPANY, LIMITED
BRITISH COLUMBIA ELECTRIC POWER & GAS COMPANY LIMITED
VANCOUVER POWER COMPANY, LIMITED
WESTERN POWER COMPANY OF CANADA, LIMITED
BRIDGE RIVER POWER COMPANY LIMITED
BURRARD POWER COMPANY, LIMITED
VANCOUVER ISLAND POWER COMPANY, LIMITED
NATIONAL UTILITIES CORPORATION, LIMITED
THE VANCOUVER, FRASER VALLEY AND SOUTHERN RAILWAY COMPANY
COLUMBIA ESTATE COMPANY, LIMITED
BRITISH COLUMBIA RAPID TRANSIT COMPANY, LIMITED
THE VICTORIA ELECTRIC COMPANY LIMITED
VICTORIA GAS COMPANY, LIMITED
B. C. MOTOR TRANSPORTATION, LIMITED

